



Military Moving Expenses





About Military Moving Expenses

- Additional resources listed in L< "References" tab
- Review all tips and cautions in the lesson
- Read all examples and sample interviews
- We will review answers to each exercise



Objectives – Military Moving Expenses

Determine:

- If a move qualifies as a permanent change of station (PCS)
- Which moving expenses are deductible
- When allowances and reimbursements must be included in income
- Time Required: 45-75 minutes

Topics



- Permanent Change of Station
- Deductible Moving Expenses
- Reimbursements
- Reporting Moving Expenses



Key Terms

Definitions are always available in the L< online Glossary.

- Cash Method
- DITY Move
- PCS
- Travel Expenses



Permanent Change of Station

- Only military moving expenses incurred as a result of a permanent change of station (PCS) may be deductible
- What is a PCS?
 - A move from home to the area of the first post of duty
 - A move from one permanent post of duty to another
 - A move from the last post of duty to home or to a nearer point in the U.S.
- If the Armed Forces moves a service member and spouse/dependents to or from separate locations, the expenses are combined and treated as a single move

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Adjusted	24 Certain business expenses of reservists, performing artists, and
Gross	fee-basis government officials. Attach Form 2106 or 2106-EZ 24
Income	25 Health savings account deduction. Attach Form 8889 . 25
	26 Moving expenses. Attach Form 3903
	27 Deductible part of self-employment tax. Attach Schedule SE . 27
	28 Self-employed SEP, SIMPLE, and qualified plans 28
	29 Self-employed health insurance deduction 29
	30 Penalty on early withdrawal of savings 30
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Deductible Moving Expenses

- Qualifying military moving expenses include the cost of:
 - Moving household goods and personal effects
 - Reasonable travel and lodging expenses from the old home to the new home
- Qualifying deductible expenses are those that exceed government allowances and reimbursements
- Non-deductible moving expenses include costs of stopovers and side trips that are not the shortest, most direct route from the former home to the new home



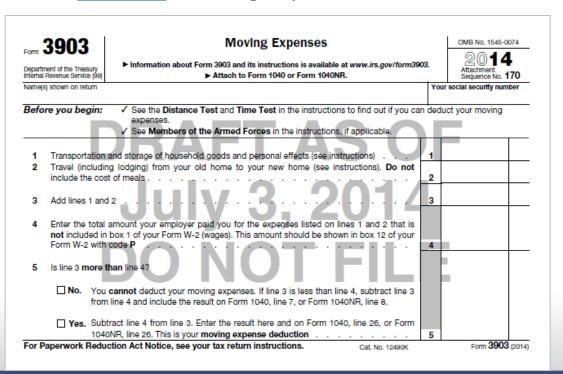
Reimbursements

- The Armed Forces often provides an incentive payment equal to 95% of the government's estimated cost for a Do It Yourself (DITY) move
- When the move is completed, the service member provides receipts to show authorized expenses
- Payments or reimbursements greater than qualified expenses is net profit, which is taxable and reported on a Form W-2
- DITY payments are entered as income on Form 1040, line 7
- What are examples of items included in gross pay and what are excluded items from gross pay (<u>Pub 4012</u>, <u>Adjustments tab</u>, <u>Armed Forces Gross Income</u>)



Reporting Moving Expenses

- If service members have expenses that exceed the amount they were reimbursed, they should complete Form 3903, Moving Expenses
- Taxpayers can deduct their moving expenses in the year the expenses were paid or the year they were reimbursed
- For more information, see <u>Pub 521</u>, Moving Expenses





Summary

This lesson covered:

- Types of military moves that quality for tax benefits
- What kinds of moving expenses are deductible
- How to use Form 3903 to compute moving expense deductions
- Moving expenses are deducted as an adjustment to income on Form 1040, line 26



Practice

- Select the practice exercise for reporting military moving expenses
- Complete the exercise

